

# Office of Attorney General Terry Goddard



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## **Terry Goddard Sues Major Drug Companies For Inflating Prices, Cheating Arizona Taxpayers**

(Phoenix, Ariz. – Dec. 7, 2005) Attorney General Terry Goddard has filed a lawsuit against 42 pharmaceutical companies for cheating Arizona taxpayers by using a drug pricing scheme that has cost consumers and Medicare tens of millions of dollars.

The lawsuit, filed Tuesday in Maricopa County Superior Court, seeks restitution and charges the drug companies with violation of the state's consumer protection and racketeering laws.

The complaint charges that the drug companies engaged in deceptive trade practices by manipulating or misstating the average wholesale price (AWP) of their prescription drugs, causing the government and consumers to overpay. Under the Arizona Consumer Fraud Act, the penalty is \$10,000 per violation if the drug companies are found liable.

"Many times people have been forced to choose between expensive medicines or food and housing," Goddard said. "What these drug manufacturers have done is outrageous. Arizona residents have been cheated out of millions of dollars."

The complaint also alleges that drug manufacturers provided financial incentives to physicians and suppliers to stimulate drug sales, such as volume discounts, rebates, off-invoice pricing and free goods, at the expense of the Medicaid and Medicare programs. The incentives were not offered to government or consumers.

Drug reimbursement rates are based on pricing data supplied by drug manufacturers. The lawsuit alleges that the drug makers manipulated the prices, resulting in inflated costs to elderly citizens taking chemotherapy and other drugs for serious illnesses.

"This pricing practice hurts the most vulnerable," Goddard said. "Ask any senior resident or any senior caregiver and they will tell you the high cost of prescription drugs negatively affects older persons' quality of life."

According to Congressional research, Americans currently pay the highest prices for prescription drugs in the world. Last year, the gap in prices grew by almost nine percent, with Americans paying 174 percent higher prices on average than the rest of the world.

According to an independent non-profit institute specializing in health issues, seniors constitute 12 percent of the population and use 37 percent of prescription drugs sold each year. The rising cost of needed medicine is a serious problem for a third of America's elderly without prescription drug coverage.

A list of the defendants is attached. A copy of the complaint and additional information on the case are posted on the Attorney General's Web site at [www.azag.gov](http://www.azag.gov).

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